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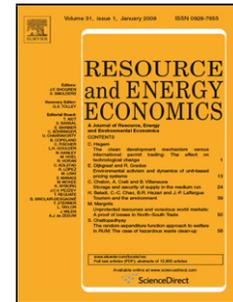
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Is education really underfunded in resource-rich economies? Evidence from a panel of U.S. states

Alexander James*

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Abstract

Existing development literature has argued that natural-resource endowments “curse” economic prosperity by reducing expenditures on education. According to this theory, public and private agents lack sufficient foresight to make optimal economic decisions and become poor as a result. Using a panel of U.S. state-level data, this paper offers evidence to the contrary. Public spending on education in resource-rich states greatly exceeds that in resource-scarce ones, and private education services are imperfectly crowded out as a result. Analyzing a broader set of public education outcomes reveals that relative teacher salaries, public enrollment rates, and teacher-student ratios tend to move pro-cyclically with resource booms and busts. Weaker evidence is provided that graduation rates fall in response to resource booms, perhaps reflecting a rise in the opportunity cost of going to school for working-age students.

Keywords: Natural Resources, Education Expenditures, Education Attainment, Resource Curse.

JEL Classification: Q4; H4; I2

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